

**ALZHEIMER'S FOUNDATION OF AMERICA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2017**

# ALHEIMER’S FOUNDATION OF AMERICA

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
**Alzheimer's Foundation of America**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Alzheimer's Foundation of America (AFA), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alzheimer's Foundation of America as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters – Prior Year Financial Statements***

The financial statements of Alzheimer's Foundation of America for the year ended December 31, 2017, were audited by other auditors whose report dated August 7, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Hartford, CT  
May 2, 2019

# ALZHEIMER'S FOUNDATION OF AMERICA

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018

(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 10,562,671	\$ 11,882,640
Investments	3,212,869	2,615,956
Certificates of deposit	6,082,154	--
Contributions receivable, net	531,706	788,909
Prepaid expenses and other assets	117,450	96,148
Security deposits	27,473	20,433
Car held for sale	--	91,500
Fixed assets, net	<u>104,997</u>	<u>131,648</u>
<b>Total Assets</b>	<u>\$ 20,639,320</u>	<u>\$ 15,627,234</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 482,276	\$ 292,150
Vacation payable	41,081	40,144
Grants payable, net	<u>196,154</u>	<u>468,204</u>
<b>Total Liabilities</b>	<u>719,511</u>	<u>800,498</u>
<b>Net Assets</b>		
Without donor restrictions	18,085,908	13,766,746
With donor restrictions	<u>1,833,901</u>	<u>1,059,990</u>
<b>Total Net Assets</b>	<u>19,919,809</u>	<u>14,826,736</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 20,639,320</u>	<u>\$ 15,627,234</u>

*The accompanying notes are an integral part of these financial statements.*

# ALZHEIMER'S FOUNDATION OF AMERICA

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

### FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues, gains and other support</b>				
Contributions	\$ 8,242,714	\$ 1,196,972	\$ 9,439,686	\$ 8,331,763
Special events, net of direct expenses of \$48,114	183,176	--	183,176	217,112
Membership dues	92,735	--	92,735	95,296
Investment income, net	230,657	--	230,657	156,356
Program income	136,107	--	136,107	95,932
Grants	1,080,070	--	1,080,070	1,113,000
In-kind contributions	3,555,653	--	3,555,653	3,562,608
Loss on sale of asset	(14,000)	--	(14,000)	--
Net assets released from restrictions	423,061	(423,061)	--	--
<b>Total Revenues</b>	<u>13,930,173</u>	<u>773,911</u>	<u>14,704,084</u>	<u>13,572,067</u>
<b>Expenses</b>				
Program services - public awareness and support	8,627,799	--	8,627,799	8,450,282
Supporting services:				
Management and general	283,493	--	283,493	1,018,848
Fund raising	699,719	--	699,719	656,173
Total supporting services	<u>983,212</u>	<u>--</u>	<u>983,212</u>	<u>1,675,021</u>
<b>Total Expenses</b>	<u>9,611,011</u>	<u>--</u>	<u>9,611,011</u>	<u>10,125,303</u>
<b>Change in Net Assets</b>	<u>4,319,162</u>	<u>773,911</u>	<u>5,093,073</u>	<u>3,446,764</u>
<b>Net Assets - Beginning of year</b>	<u>13,766,746</u>	<u>1,059,990</u>	<u>14,826,736</u>	<u>11,379,972</u>
<b>Net Assets - End of year</b>	<u>\$ 18,085,908</u>	<u>\$ 1,833,901</u>	<u>\$ 19,919,809</u>	<u>\$ 14,826,736</u>

*The accompanying notes are an integral part of these financial statements.*

# ALZHEIMER'S FOUNDATION OF AMERICA

## STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED DECEMBER 31, 2018**

**(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	2018					2017	
	Program Services	Supporting Services			Total		Total
	Public Awareness and Support	Management and General	Fund Raising	Direct Costs of Special Events			
Salaries	\$ 1,739,908	\$ 212,356	\$ 421,538	\$ --	\$ 2,373,802	\$ 2,118,352	
Payroll taxes and benefits	316,150	38,586	76,595	--	431,331	328,749	
In-kind advertising	3,555,653	--	--	--	3,555,653	3,562,608	
Grants	936,229	--	--	--	936,229	728,187	
Advertising	784,301	--	--	--	784,301	772,590	
Printing and postage	171,701	76,824	78,896	--	327,421	428,937	
Occupancy	253,576	31,697	31,697	--	316,970	284,466	
Conferences and training	272,667	--	--	--	272,667	322,616	
Resource materials	203,760	--	--	--	203,760	175,370	
Bank charges and fees	8,433	8,433	67,457	--	84,323	81,414	
Travel and transportation	81,935	--	--	--	81,935	76,280	
Office expenses	55,984	16,173	3,235	--	75,392	84,604	
Computer expense	54,126	14,548	2,910	--	71,584	72,240	
Depreciation and amortization	52,314	6,155	3,077	--	61,546	48,876	
Dues and subscriptions	42,731	--	11,607	--	54,338	54,833	
Catering and fees	--	--	--	48,114	48,114	81,535	
Telephone	25,358	2,983	1,492	--	29,833	28,410	
Insurance	12,458	1,466	732	--	14,656	15,620	
Utilities	8,215	966	483	--	9,664	14,364	
Maintenance and repairs	5,910	--	--	--	5,910	7,043	
Professional fees	43,930	(126,694)	--	--	(82,764)	911,817	
Miscellaneous expenses	2,460	--	--	--	2,460	7,927	
	\$ 8,627,799	\$ 283,493	\$ 699,719	\$ 48,114	\$ 9,659,125	\$ 10,206,838	

*The accompanying notes are an integral part of these financial statements.*

# ALZHEIMER'S FOUNDATION OF AMERICA

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018  
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED  
DECEMBER 31, 2017)

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 5,093,073	\$ 3,446,764
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	61,546	48,876
Net realized and unrealized losses (gains) on investments	56,956	(43,119)
Loss on sale of asset	14,000	--
Changes in assets and liabilities:		
Contributions receivable	257,203	(204,091)
Prepaid expenses and other assets	(21,302)	1,017
Security deposits	(7,040)	--
Accounts payable	190,126	(444,180)
Vacation payable	937	781
Grants payable	(272,050)	(218,645)
<b>Net Cash Provided by Operating Activities</b>	<u>5,373,449</u>	<u>2,587,403</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of fixed assets	(34,895)	(104,708)
Proceeds from sale of vehicle	77,500	--
Purchase of certificates of deposit	(6,082,154)	--
Purchases of investments	(653,869)	(2,544,277)
Proceeds from sales of investments	--	407,518
<b>Net Cash Used in Investing Activities</b>	<u>(6,693,418)</u>	<u>(2,241,467)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(1,319,969)	345,936
<b>Cash and Cash Equivalents - Beginning</b>	<u>11,882,640</u>	<u>11,536,704</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 10,562,671</u>	<u>\$ 11,882,640</u>

*The accompanying notes are an integral part of these financial statements.*

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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### NOTE 1 – GENERAL

#### *ORGANIZATION*

Alzheimer's Foundation of America (AFA) is a non-profit foundation comprised of member and associate member organizations across the United States dedicated to meeting the educational, social and emotional needs of individuals with Alzheimer's disease and their families and caregivers, as well as raising public awareness about the disease and lending expertise to healthcare professionals. AFA's primary sources of support are contributions.

The Internal Revenue Service has determined that AFA is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *BASIS OF ACCOUNTING*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

#### *USE OF ESTIMATES*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *CASH AND CASH EQUIVALENTS*

Cash and cash equivalents consist of cash and highly liquid investments with maturity dates, when acquired, of three months or less. In general, the Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 per depositor, per bank. It is AFA's policy to monitor the financial strength of the banks that holds its deposits on an ongoing basis. During the normal course of business, AFA maintains cash balances in excess of the FDIC insurance limit.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *CONTRIBUTIONS RECEIVABLE*

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which promises are received. Amortization of the discounts are included in contribution revenue. AFA determines whether an allowance for uncollectible accounts should be provided for contributions receivable. Such estimates are based upon management's assessment of the aging of its receivables, current economic conditions, subsequent receipts and historical information. Conditional promises to give are not included as support until the conditions are substantially met. There was no allowance as of December 31, 2018 as all of the outstanding contributions receivable were considered collectible.

#### *FIXED ASSETS*

Fixed assets in excess of \$1,000 with an estimated useful life of greater than one year are capitalized. Depreciation is provided on the straight-line method over the assets' estimated useful life of five years. Amortization of leasehold improvements is computed over the lesser of their estimated useful lives or the terms of the lease.

#### *IN-KIND CONTRIBUTIONS / EXPENSES*

In-kind contributions consist of donated media which is recorded at its fair value at the date of donation as revenue and an equal amount of expense based upon market value as provided by the media vendors.

#### *NET ASSETS*

To ensure observance of limitations and restrictions placed on the use of resources available to AFA, the accounts of AFA are maintained in the following net asset categories:

*Without Donor Restrictions* - Net assets without donor restrictions represent available resources other than donor-restricted contributions.

*With Donor Restrictions* - Net assets with donor restrictions represent contributions that are restricted by the donor either as to purpose or as to time restriction or represent contributions received with the donor restriction that the principal be held in perpetuity and that the income earned, thereon, be used for operations or a specific purpose or time frame.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *GRANTS AND CONTRIBUTIONS*

Unconditional grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the grant and contribution is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### *CAR HELD FOR SALE*

In 2016, a vintage car was donated to AFA to be held for sale. The car was appraised by an independent appraiser at \$91,500. During 2018, the car was sold and AFA recognized a loss on sale of asset of \$14,000 in the accompanying statement of activities.

#### *SPECIAL EVENTS*

AFA conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenue in the accompanying statement of activities.

#### *PROGRAM INCOME*

Program income from professional training and education is recorded when services are provided.

#### *GRANTS PAYABLE AND EXPENSES*

Grants payable represent unpaid commitments made by the Board of Directors. Grant expenses represent grants which are appropriated by the Board of Directors to fund research into Alzheimer's.

#### *MEMBERSHIP DUES*

Revenue for membership dues are recognized over the membership period.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *OPERATING LEASES*

AFA's operating lease obligations are recognized on the straight line method over the term of the lease. Deferred rent is recorded when there are material differences between the fixed lease payment and rent expense. At December 31, 2018, no deferred rent was recorded.

#### *FUNCTIONAL ALLOCATION OF EXPENSES*

The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services for which the costs have been incurred.

#### *FAIR VALUE MEASUREMENTS*

FASB ASC 820 provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the AFA has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *FAIR VALUE MEASUREMENTS (CONTINUED)*

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

#### *INCOME TAXES*

AFA has been recognized by the Internal Revenue Service as a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes except for unrelated business income. AFA did not receive any unrelated business income for the year ended December 31, 2018.

AFA accounts for uncertain tax provisions under FASB ASC 740, *Income Taxes*, which provides a framework for how entities should recognize, measure, present and disclose uncertain tax positions in their financial statements. AFA may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. AFA does not have any uncertain tax positions as of December 31, 2018. As of December 31, 2018, AFA did not record any penalties or interest associated with uncertain tax positions.

#### *RECLASSIFICATIONS*

Certain amounts in the 2017 summarized comparative financial statements have been reclassified to conform to the 2018 financial statement presentation.

#### *SUBSEQUENT EVENTS*

Subsequent events have been evaluated through May 2, 2019, which is the date the financial statements were available to be issued. Management believes there are no subsequent events requiring adjustment to, or disclosures in, the accompanying financial statements other than the events discussed in Note 9 and 10.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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### NOTE 3 – CONTRIBUTIONS RECEIVABLE

All unconditional contributions receivable have been recorded at their estimated present value. The contributions receivable, as of December 31, 2018, are due as follows:

2019	\$ 511,706
2020	10,000
2021	<u>10,000</u>
Contributions receivable, net	<u>\$ 531,706</u>

### NOTE 4 – FIXED ASSETS

Fixed assets consisted of the following as of December 31, 2018:

Leasehold improvements	\$ 59,267
Furniture and equipment	<u>428,440</u>
	487,707
Accumulated depreciation and amortization	<u>(382,710)</u>
Fixed assets, net	<u>\$ 104,997</u>

Depreciation and amortization expense for the year ended December 31, 2018 was \$61,546.

### NOTE 5 – GRANTS PAYABLE

Unconditional grants payable are research grants due to be paid out over the following two years and have been discounted to their estimated present value using a discount rate of 4%. The payables are due as follows:

2019	\$ 100,000
2020	<u>100,000</u>
	200,000
Less discount to present value	<u>(3,846)</u>
Grants payable, net	<u>\$ 196,154</u>

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

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#### NOTE 6 – FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 as compared to those used at December 31, 2017.

*Common stock, mutual funds and exchange traded funds* - Valued at the closing price reported on an active market on which the individual securities are traded and at the net asset value (“NAV”) of shares held at year end.

*State of Israel bonds* - Valued based on yields currently available on comparable securities of issuers with similar credit ratings.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while AFA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the assets at fair value:

	Level 1	Level 2	Total
Exchange traded funds - U.S. Small Cap	\$ 627,393	\$ --	\$ 627,393
Corporate bonds	--	1,014,248	1,014,248
State of Israel bonds	--	1,512,060	1,512,060
Stocks	9,360	--	9,360
Mutual funds	<u>2,723</u>	<u>--</u>	<u>2,723</u>
	<u>639,476</u>	<u>2,526,308</u>	3,165,784
Cash and cash equivalents			<u>47,085</u>
Total investments			<u>\$ 3,212,869</u>

There were no transfers between levels of investments during the year ended December 31, 2018.

The carrying amounts of cash and cash equivalents, contributions receivable, security deposits, accounts payable, vacation payable and grants payable approximate their fair value because of the short-term nature of these instruments.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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### NOTE 7 – NET ASSETS

As of December 31, 2018, all of AFA's net assets without donor restrictions were undesignated. Net assets with donor restrictions at December 31, 2018 consisted of the following:

Subject to Expenditure for Specified Purpose:	
Research grants	\$ 1,299,452
Educating America Tour	<u>60,000</u>
	<u>1,359,452</u>
Subject to Donor Restrictons or AFA Spending	
Policy and Appropriation:	
Investment in perpetuity	\$ 450,000
Unappropriated earnings on investment in perpetuity	
available for general operating purposes	<u>24,449</u>
	<u>474,449</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,833,901</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the year ended December 31, 2018 as follows:

Purpose Restrictions Accomplished:	
Research grants	\$ 388,061
Educating America Tour	<u>35,000</u>
	<u>423,061</u>
Release of Appropriated Endowment Earnings:	
General operating purposes	<u>    --</u>
	<u>    --</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 423,061</u>

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

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#### NOTE 8 – ENDOWMENT

AFA's endowment consists of one donor-restricted endowment fund established to support activities of the organization. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

AFA's endowment consisted solely of funds with donor restrictions and are as follows at December 31, 2018:

Donor Restricted Endowment Funds:

Original donor-restricted endowment gift amount and amounts required to be retained by donor	\$ 450,000
Unappropriated endowment earnings	<u>24,449</u>
	<u>\$ 474,449</u>

Changes in AFA's endowment consisted of the following for the year ended December 31, 2018:

Donor Restricted Endowment Funds:

Endowment net assets - beginning of year	\$ 450,000
Investment return, net	<u>24,449</u>
Endowment net assets - end of year	<u>\$ 474,449</u>

#### *INTERPRETATION OF RELEVANT LAW*

Management of AFA adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA permits charities to apply a spending policy to endowments based on certain specified standards of prudence. AFA is governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years' balance. As a result of this interpretation, AFA classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by AFA in a manner consistent with the standard of prudence prescribed by NYPMIFA.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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### NOTE 8 – ENDOWMENT (CONTINUED)

#### *RETURN OBJECTIVES, STRATEGIES EMPLOYED AND SPENDING POLICY*

AFA's current objective is to develop an investment policy that would protect the corpus of the endowment fund while earning investment income. The earnings on endowments are accounted for subject to donor restrictions until appropriated for expenditure.

#### *FUNDS WITH DEFICIENCIES*

There are no funds with deficiencies.

### NOTE 9 – LEASE COMMITMENTS

AFA leases space for its office under an operating lease, which will expire on November 30, 2021. AFA also leases satellite storage space on a month-to-month basis. AFA began leasing additional space for its Education and Resource Center, commencing on June 1, 2017. Rent expense for the year ended December 31, 2018 was \$283,249. AFA's future minimum rental commitments as of December 31, 2018 are as follows:

2019	\$	297,198
2020		304,628
2021		<u>201,673</u>
	\$	<u>803,499</u>

On March 26, 2019, AFA executed an amendment to the operating leases above. The amendment changed the configuration of the office and storage space and eliminated the month-to-month arrangement for the storage space. The new lease period is for six years beginning upon completion of the landlord's work in the reconfiguration. Annual rent ranges from approximately \$369,000 in the first year of the lease to approximately \$418,000 in year six.

# ALZHEIMER'S FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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### NOTE 10 – EMPLOYEE RETIREMENT PLAN

AFA has a 403(b) pension plan available to eligible employees. No contributions were made by AFA in 2018.

On January 1, 2019, AFA established the Alzheimer's Foundation of America 401(k) plan for eligible employees. The 401(k) plan includes discretionary employer matching and profit sharing provisions and allows for employee salary deferral contributions.

### NOTE 11 – LIQUIDITY AND AVAILABILITY OF RESOURCES

AFA's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets, at year end:	
Cash and cash equivalents	\$ 10,562,671
Investments	3,212,869
Contributions receivable, net	531,706
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor in perpetuity	(450,000)
Subject to appropriation and satisfaction of donor restrictions	<u>(24,449)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,832,797</u>

AFA is substantially supported by contributions, some of which are restricted. Because a donor's restriction requires resources to be used in a particular manner or in a future period, AFA ensures that it maintains sufficient resources to meet those responsibilities to its donors.

As part of AFA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, AFA invests cash in excess of daily requirements in certain investments.